

United States and Israel Attack Iran

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Critical questions emerging from the escalating Middle East crisis:

Do you anticipate the conflict will last more than a few weeks?

I think it'll be a relatively short-lived conflict for really two reasons. The clear winner from a military standpoint is the United States. The U.S. dwarfs Iran's military, so that really puts them in a kind of war of attrition, which obviously, it being their home country, is going to be difficult to sustain. But even more than that, in the U.S., we're very incentivized not to drag this conflict out. A recent poll went out from The Economist during the 12-Day War last year between Israel and Iran, and it asked whether we think the U.S. military should be involved in the conflict between the two in the Middle East. Overwhelmingly, there was bipartisan opposition to getting involved, with only about 20% of Americans wanting to be involved. So, couple that with the fact that if this impacts gas prices, which have been low for the past couple of years, that's going to unsettle American consumers, and even further along that line, it is a midterm election year, so politicians are going to be incentivized to keep this war brief and limited.

Although unprecedented and concerning, why do you think the closure of the Strait of Hormuz will have a limited impact on financial markets?

Let's take a step back and look at the bigger picture that led to the conflict in the first place. At that point, the oil market was in surplus, and the liquified natural gas (LNG) market was on its way to oversupply. So, we were in a very good place from a supply-and-demand perspective. Certainly, I don't want to understate how significant the Strait is. It carries upwards of 18% of global oil and transits at least 19% of global LNG, so it is significant¹. But the magnitude of the spike and the duration the Strait is impacted are going to be the true drivers of what happens to oil markets. I think it could be relatively limited because the conflict itself, I expect, should be relatively limited. I think that Iran has dramatically miscalculated in the way that it's responded to its own neighbors and attacked them. For those reasons, and the U.S. incentive to keep this a short conflict as well, I think the Strait should likely reopen relatively soon, in a matter of weeks rather than months.

If the conflict in Iran doesn't get resolved in weeks, what sectors are best/worst positioned?

At the onset of this geopolitical shock, we saw a typical risk-off reaction across markets. Many asset classes, including equities, fixed income, and even some commodities, such as industrial metals, moved lower together as volatility spiked. The main exception was oil, which posted strong gains given the obvious supply risks tied to the region. If the situation is resolved in the coming weeks, markets likely look through the event fairly quickly and refocus on underlying fundamentals.

However, if the conflict drags on and freight volumes through the Strait of Hormuz remain disrupted, the most obvious beneficiaries would be energy companies and MLPs (Master Limited Partnerships). Higher prices would likely drive increased U.S. production, stronger energy sector profits, and potentially more capital spending on energy infrastructure.

Another sector that tends to benefit in these environments is the aerospace and defense industry. And if the situation ultimately leads to higher inflation, defensive sectors like utilities and healthcare have historically performed relatively well. We would also expect precious metals, particularly gold and, to a lesser extent, silver, to see continued support in a flight to safety.

On the other hand, some industries may likely face headwinds if the disruption persists. Passenger airlines and air freight companies could be pressured by higher fuel costs. We could also see weakness in industrials and materials if global growth slows. Finally, international markets, particularly emerging markets in Asia, are vulnerable due to their heavy reliance on oil imports that pass through the Strait of Hormuz. Even developed markets like Europe could feel the impact through higher energy costs and slower economic activity if the conflict drags on.

Why haven't US natural gas prices spiked the same way oil prices have?

Natural gas hasn't surged the way oil has in the United States because the markets function very differently. Oil is a global commodity, so the geopolitical risks in the Middle East immediately affect supply expectations worldwide. U.S. natural gas, on the other hand, is a largely regional market.

There was a brief geopolitical reaction early in the conflict. You saw U.S. Henry Hub natural gas futures trade over 20% above where they are now in the wake of the February 28th strikes on Iran, but that move didn't last long because the underlying U.S. fundamentals didn't change.

The contrast with Europe really tells the story, though. European natural gas prices have surged more than 60% since the start of March, recently trading above €50 per megawatt hour, which converts roughly to \$15 per million British thermal units (mmBtu). Meanwhile, the U.S. Henry Hub gas is still around \$3 per mmBtu.²

So, the key reason is ultimately infrastructure and supply. Europe relies heavily on imported liquefied natural gas, and disruptions tied to the conflict, including halted shipments from the Persian Gulf. And then further concerns around the Strait of Hormuz heighten the global supply.

The U.S., by contrast, produces enormous amounts of gas, and LNG export terminals are already running near max capacity, so the U.S. can't suddenly export enough additional gas to tighten our domestic market.

The IEA announced earlier this afternoon that it will launch the largest-ever oil release from global strategic reserves. What does this mean for the current situation?

The International Energy Agency (IEA) announced the largest-ever release of strategic oil reserves³, essentially in a coordinated attempt to stabilize global energy markets after the disruption in the Strait of Hormuz. Roughly one-fifth of the world's oil supply normally moves through the strait, and with tanker traffic largely halted due to the conflict with Iran, oil prices have seen significant increases. By releasing about 400 million barrels from emergency reserves, IEA member countries are trying to offset some of that lost supply and send a signal to markets that governments are prepared to step in if shortages develop.

That said, the impact is likely temporary. The amount being released is roughly equivalent to about twenty days of supply that would normally pass through the strait. So, while it can help calm markets and prevent a near-term spike in oil prices, the real solution for energy prices ultimately depends on whether shipping through the Strait of Hormuz can safely resume.

Economic Definitions

WTI (West Texas Intermediate): Crude oil futures are the benchmark for oil prices in the United States and serve as a reference point for global oil pricing. Crude oil is classified as light and sweet where "light" refers to its low density and "sweet" indicates its low sulfur content. The delivery point for crude oil futures is Cushing Hub in Oklahoma. Each futures contract represents 1,000 barrels of crude oil.

Natural Gas: The natural gas futures price is based on delivery at the Henry Hub in Louisiana, the nexus of 16 intra- and interstate natural gas pipeline systems that draw supplies from the region's prolific gas deposits. The contract trades in units of 10,000 million British thermal units (mmBtu).

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¹ [Strait of Hormuz – Oil security and emergency response - IEA](#)

² Bloomberg as of 3.11.2026

³ [IEA nations agree to largest-ever oil reserve release to alleviate Iran war price hike](#)